

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 CAB-02 CIAE-00 COME-00
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 1899

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FROM CHESEN FOR BILLER (EB/TCA) AND CAB (MEMBERS AND FARMER)

E.O. N/A
TAGS: EAIR, US, XG
SUBJECT: CIVAIR: ANALYSIS AND RECOMMENDATIONS FOR US POSITION
IN US-CANADA-ECAC TALKS

1. FOLLOWING ARE ANALYSIS AND RECOMMENDATIONS FOR USG
POSITION FOR PARIS TRIPARTITE TALKS DRAFTED ENROUTE TOKYO.

2. ECAC HAS CLEARLY SET ASIDE, PERHAPS PERMANENTLY,
ITS QUEST FOR BROAD SCOPE CHARTER MULTILATERAL.
EVIDENCE FROM AGENDA PROPOSED BY ECAC, ITS SEPTEMBER
9TH PAPER, AND UKDEL COMMENTS LEAD TO CONCLUSION ECAC
WILL FOCUS ON SEEKING CHARTER WORTHINESS COMMONALITY,
THIS TIME THROUGH RULES SIMPLIFICATION. CLEARLY NEITHER
SIDE WANTS TO REKINDLE DEBATE OVER WHETHER WE ARE IN
PHASE 2 (REMOVAL OF ECAC BAN ON BILATERALS) OR PHASE
3 (SIMULTANEOUS NEGOTIATION OF BILATERALS AND MULTI-
LATERALS) OF 1973 PARIS AND 1974 OTTAWA UNDERSTANDINGS.

3. ECAC SEPTEMBER 9TH PAPER SHOWS LIMITED MOVES TOWARD
US, E.G. BY RECOGNIZING SOME GENERAL PUBLIC SUBSTI-
TUTION, SOME ABC/OTC COMMINGLING. FOR AN OPENING
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POSITION PAPER, THAT IS PROMISING. NEVERTHELESS
BECAUSE OF LEAST COMMON DEMONINATOR PROBLEM, IT MAY STILL
BE IMPOSSIBLE TO REACH AN ACCEPTABLE MULTILATERAL
AGREEMENT EVEN ON RULES SIMPLIFICATION.

4. SOLIDARITY OF ECAC AGAINST US CHARTER CONDITIONS,
WHICH IN THE PAST HAS INCREASED IN RELATION TO US UN-

WILLINGNESS TO TREAT WITH ECAC, WILL BE PUT TO TEST IN PART WITH US-BELGIUM TALKS WHICH PRECEED TRIPARTITE MEETING. IF BELGIUM UNWILLING TO AGREE TO CLEAN COUNTRY OF ORIGIN RULES APPROACH IN UNLIMITED TERM CHARTER BILATERAL INTIMATELY LINKED TO SCHEDULED AGREEMENT, EVEN AT RISK OF NOT OBTAINING ATLANTA ROUTE, THEN ECAC SOLIDARITY INDEED GREAT. IF, HOWEVER, BELGIUM BUYS THE PACKAGE AND ACCEPTS ONUS OF BREAKING ECAC RANKS, THEN TALKS WITH UK MAY BE SLIGHTLY EASIER. ALSO, IF US CAN SUCCEED IN OBTAINING A CLEAN CHARTER AGREEMENT WITH NETHERLANDS, USING SUPER APEX AND/OR SIXTH FREEDOM LEVERAGE, AND GETS MORE CLEAN COUNTRY OF ORIGIN CHARTER PROVISIONS WITH NEW ECAC MEMBER YUGOSLAVIA, OTHERS (SWITZERLAND, IRELAND, FRANCE) MAY WANT TO GET ON THE BILATERAL AGREEMENT WAGON. BELGIUM IS HOWEVER, FIRST KEY AND ITS RESPONSE DURING OCTOBER TALKS WILL AFFECT APPROACH TO ECAR.

5. CAB'S OCTOBER 4TH RECOMMENDATION TO SECSTATE AND DOT OF SUSPENDING SUPER APEX FARES ON FOREIGN SCHEDULED CARRIERS UNLESS THEIR GOVERNMENTS AGREE TO ACCEPT COUNTRY OF ORIGIN CHARTER RULES ALSO IMPORTANT FACTOR IN POSITION FOR ECAC TALKS. THIS ANALYSIS MADE ON ASSUMPTION ABOVE ACTION WILL NOT BE TAKEN REGARDING LINKAGE BEFORE APRIL 1, 1978 BUT MAY BE TAKEN REGARDING LINKAGE THEREAFTER. IF ASSUMPTION CORRECT, THEN ANY LIMITED OFFICIAL USE

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RULES DISCUSSION WITH ECAC WILL FOCUS ON CAB'S INTERIM PROPOSED RULE ON CHARTER LIBERALIZATION, ALTHOUGH DISCUSSION ALSO LIKELY TO INVOLVE OR EVEN FORUS ON ABC-SUPER APEX RELATIONSHIPS.

6. RE INTERIM PROPOSED RULE, LATEST DRAFT OF WHICH HAD NOT BEEN READ BY CHESN PRIOR TO HIS COMMENTS REGARDING "NEGOTIABILITY" AT OCTOBER 7TH OPEN BOARD MEETING, IT IS VERY IMPORTANT TO CONSTRUCT THAT PAPER NOT ONLY AS DOMESTIC LEGAL DOCUMENT BUT AS INTERNATIONAL NEGOTIATING DOCUMENT AS WELL. OCTOBER 7TH DRAFT PLUS CHANGES MADE BY CAB REPRESENT SUBSTANTIAL MOVEMENT THIS DIRECTION. PROPOSAL SHOULD BE VERY LIBERAL, BUT IT IMPORTANT THAT ECAC STATES NOT BE GIVEN CHANCE TO DISCREDIT CAB PROPOSALS AS BEING INTERNALLY INCONSISTENT IN ELEMENTS CHANGED, NOT FULLY THOUGHT OUT REGARDING WORKABILITY, OR UNENFORCEABLE. THIS COULD PUT USDEL ON DEFENSIVE AT ECAC MEETING, AS WELL AS UNDERMINE LATER BILATERAL APEX/ABC LINKAGE TALKS WHERE USG WOULD BE SEEKING CARTE BLANCHE ACCEPTANCE OF WHATEVER RULES CAB DEVISES.

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FROM CHESN FOR BILLER (EB/TCA) AND CAB (MEMBERS AND FARMER)

7. CANADIAN PARTICIPATION IN TALKS LIKELY TO HAVE LESS THAN NEUTRAL EFFECT. ATC CHAIRMAN BARRY THOMSON, HEAD CANDEL, HAS REGULATORY PHILOSOPHY MUCH CLOSER TO ECAC'S THAN THAT OF USG. CANADA ALSO SHARES ECAC'S DESIRE FOR RULES COMMONALITY RATHER THAN COUNTRY OF ORIGIN APPROACH. CANADIANS ALSO LIKELY POINT OUT THAT, IN THEIR EXPERIENCE, NORTH ATLANTIC SUPER APEX AT CHARTER LEVEL RATES (EXCEPT \$20 JULY SURCHARGE) PRODUCED MODERATE DECLINE IN CHARTER FLIGHTS AS SCHEDULED CARRIERS CONVERTED THEIR CHARTERS TO SUPER APEX, ALTHOUGH THE CANADIAN SUPPLEMENTAL AIRLINE (WARDAIR) ACTUALLY INCREASED TRAFFIC. WARDAIR REPORTEDLY NOW PURCHASING ADDITIONAL 747S AS WELL AS DC10S ALTHOUGH OBVIOUSLY FOR USE IN CANADA-SOUTH MARKETS AS WELL. WHILE CANADA-EUROPE MARKET HAS SOME DIFFERENT CHARACTERISTICS, ABOVE EVIDENCE LIKELY TO BE MORE PERSUASIVE THAN USG EXPRESSIONS OF CONCERN FOR ITS SUPPLEMENTALS, WHICH EXPRESSIONS MAY HAVE NO EVIDENCE OF DIVERSION OR HARM BEHIND THEM.

8. FIRST OPTION USG HAS IS TO USE MEETING SOLELY REPEAT SOLELY TO DISCUSS RESULTS US SUBSTITUTION STUDY, SCHEDULED VS CHARTER GROWTH PATTERNS IN 1977, ABC/APEX
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RELATIONSHIPS, AND RECENT CAB RULEMAKING ACTIONS. THIS APPROACH COULD BE COUNTER PRODUCTIVE WITH INDIVIDUAL GOVERNMENTS INVOLVED AT IT WAS IN 1975, BECAUSE IT MAY BE PERCEIVED AS A USG ATTEMPT TO SIDESTEP BASIC ISSUES.

9. SECOND OPTION IS TO HOLD ABOVE DISCUSSION AND IN ADDITION START DOWN THE ROAD TOWARD CONSENSUS ON SIMPLIFIED COMMON RULES. IN THIS APPROACH, USDEL WOULD HOLD FIRM ON NEW ABC CHANGES UNDER CAB CONSIDERATION BUT BE WILLING TO CONSIDER SIMPLIFICATIONS WHICH WOULD DROP UNNECESSARY OR RESTRICTIVE ASPECTS OF OTC AND SPECIFIC EVENT RULES WHICH HAVE SEVERAL ASPECTS UNMENTIONED IN ECAC PAPER. THIS EVIDENCE OF CONCRETE MOVEMENT ON USG PART TOWARD MULTILATERAL MAY SUFFICE TO GIVE UK EXCUSE TO MOVE AWAY FROM MULTILATERAL OBLIGATIONS AND TOWARD FRUITFUL BILATERAL TALKS. IT COULD ALSO HELP WITH BELGIUM, NETHERLANDS, AND YUGOSLAVIA. MUCH COULD CHANGE BEFORE ANY OPPORTUNITY COULD ARISE FOR CONTINUATION OF MULTILATERAL APPROACH. DETAILED LIST OF OTC AND SEC CONDITIONS VIEWED AS UNNECESSARY AND BEYOND WHAT EUROPEANS REQUIRE BEING SENT SEPTEL.

10. THIRD OPTION IS TO GO BEYOND SECOND BY INDICATING WILLINGNESS TO BACK TRACK ON ABC LIBERALIZATIONS, SUCH AS TO COMPROMISE AT 30 DAYS PRELISTING, AND/OR TO AGREE TO WRITTEN UNDERSTANDING OF SOME KIND. RECOMMEND AGAINST THIS AND FIRST OPTION AND FOR OPTION TWO.

11. RECOMMEND EARLY AND POSITIVE RESPONSE TO ECAC ON ITS QUESTIONS RE AGENDA AND USEFULNESS ITS PAPER SO THIS IS KNOWN AND COULD POSITIVELY AFFECT ATTITUDE TO BE DEVELOPED TOWARD USG AT INTRA-ECAC MEETING NEXT WEEK.

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12. REQUEST EMBASSY TOKYO BE COPIED UNTIL OCTOBER 20TH ON SUBSTANTIVE CABLE TRAFFIC ON TRIPARTITE, U.K., AND BELGIUM TALKS.

13. STYLES HAS NO OBJECTION TO FOREGOING ANALYSIS, EXCEPT FOR ONE CENTRAL POINT, NAMELY THAT ANY APPROACH WHICH DOES NOT INCLUDE A CLEAR STATEMENT OF U.S. WILLINGNESS TO WORK TOWARD SOME NULTILATERAL OBJECTIVE (WHATEVER IT MAY BE) WOULD BE A SERIOUS TACTICAL ERROR.
MANSFIELD

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